



County of Los Angeles
Department of Public Social Services

Bryce Yokomizo
Director

June 10, 2003

TO: Each Supervisor

Bryce Yokomizo

FROM: Bryce Yokomizo, Director

SUBJECT: STAGE 1 CHILD CARE ADVANCE PAYMENTS

This is to provide you with an update on the Department of Public Social Services' (DPSS) actions to recoup advance payments made to our Stage 1 Child Care contractors.

As you may recall, in the attached July 30, 2002 memo, I advised your Board of a Fiscal Year (FY) 2001-02 cash flow problem associated with these advance payments. My staff has been working with the Auditor-Controller to mitigate the impact of the advances and recoup them to the extent possible. Our first action was to review the actual amount needed by each contractor to ensure timely payment of child care providers and recoup any excess advances. Based on this review, in October 2002, we recouped over \$11 million in excess advances. In addition, we established new policies limiting the amount of the advances to be issued to actual need.

My staff then worked with the contractors to develop a plan to recoup all of the advances by the end of FY 2002-03 to avoid a repetition of the closing problem that occurred last year. The contractors have agreed to our recouping all of the advances before June 30, 2003. Collection of the advances began in May 2003 and is being done by deducting the amount to be recovered from the contractors' invoices. We will reissue advances to the contractors in early July to ensure they can pay child care providers in mid-July. Collection of those advances will occur during the last two months of the contract extension period by deducting the advances from what is billed by the contractors. If sufficient funds are not billed to cover all of the advanced funds, the contractors will pay the difference by check.

In the event that we enter into new contracts with the Stage 1 Child Care contractors, we will work with the Auditor-Controller and County Counsel to ensure that language is included in the contracts minimizing any negative impact from advances.

Each Supervisor
June 10, 2003
Page 2

We appreciate the cooperation of both the Auditor-Controller and the contractors in assisting us in the mitigation of this problem.

BY:tld

Attachment

c: Executive Officer, Board of Supervisors
Chief Administrative Officer
County Counsel
Auditor-Controller